

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 NEA-09 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01

OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 PA-01 PRS-01

USIA-06 /104 W

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R 250800Z APR 75

FM AMCONSUL ISTANBUL

TO SECSTATE WASHDC 5985

INFO AMEMBASSY LONDON

AMEMBASSY ANKARA

AMCONSUL IZMIR

AMCONSUL ADANA

C O N F I D E N T I A L ISTANBUL 1268

EO 11652: GDS

TAGS: BGEN, ENRG, TU

SUBJ: MOBIL PROBLEM IN TURKEY

REF: ISTANBUL 1806 AND PREVIOUS

SUMMARY: RECENT MEETINGS BETWEEN MOBIL REP AND NEW  
TURKISH GOVERNMENT APPEAR ENCOURAGING CONCERNING PROSPECTS  
FOR RESUMPTION OF CRUDE OIL SUPPLIES AND THUS AVOIDING TAKE-  
OVER IN NEAR FUTURE OF OIL REFINERY IN WHICH MOBIL MAJORITY  
SHAREHOLDER. HOWEVER GENERABLY NEGATIVE ATTITUDE OF  
TURKISH PUBLIC TOWARD MOBIL AND BP, TOGETHER WITH RECENT  
PRESS CAMPAIGN BY ELEMENTS OPPOSED TO PRESENCE IN TURKEY OF  
FOREIGN OIL COMPANIES DOES NOT BODE WELL FOR MEDIUM TERM  
OUTLOOK. COMPANIES COULD BE FACED WITH FURTHER DIFFICULTIES OVER OIL  
QUESTION, PERHAPS AS SOON AS FOUR TO SIX MONTHS FROM NOW.  
END SUMMARY

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1. MOBIL GENMGR CASANOVA RECENTLY MET WITH NEW MINENERGY

SELAHATTIN KILIC SEEKING WAY OUT OF IMPASSE WITH TURKISH GOVT. OVER CRUDE OIL IMPORT PRICE. CASANOVA SAID HE REVIEWED COMPLETE HISTORY OF PROBLEM WITH KILIC, NOTING PARENTHETICALLY THAT THIS WAS FOURTH MINISTER TO WHOM HE HAD MADE SIMILAR PRESENTATION. HE POINTED OUT TO KILIC THAT RECENT SLIGHT DECREASE IN PRICE OF IRAQI CRUDE WAS HELPFUL DEVELOPMENT, AND SAID HE HOPED WITH GOOD WILL ON BOTH SIDES PROBLEM SOON WOULD BE SOLVED. KILIC NOTED THAT INFLEXIBLE POSITION OF HIS PREDECESSOR TIES HIS HANDS TO SOME EXTENT. NEVERTHELESS HE IS NOT AFRAID OF CRITICISM AND WOULD MAKE JUST AND EQUITABLE SETTLEMENT BASED ON MOBIL'S NEEDS, AND IN LIGHT OF TURKISH NATIONAL INTERESTS.

2. KILIC THEN WENT ON TO SAY THAT THE MOST IMMEDIATE DIFFICULTY WAS TIMING. THE PROBLEM WAS COMPLICATED AND NEEDED TO BE REVIEWED CAREFULLY, BOTH WITH THE PRIME MINISTER AND MINISTER FINANCE. CASANOVA RESPONDED THAT TIME WAS CRITICAL FOR MOBIL, SINCE IT IS FACING THREAT OF TAKEOVER OF REFINERY ON MAY 6. HOWEVER, MOBIL ALSO WANTS TO BE HELPFUL, HE SAID, AND DID NOT RPT NOT WANT TO CREATE PROBLEMS FOR THE NEW GOVERNMENT. CASANOVA EXPRESSED POSSIBILITY OF RESUMING CRUDE OIL SUPPLY ON TEMPORARY AND PROVISIONAL BASIS, AND TOLD MINISTER THAT MOBIL'S NEW TRANSFER PRICE FOR IRAQI CRUDE WAS \$10.85/BBL. NOTING THAT SOME SPOT SALES WERE BEING MADE BETWEEN \$10.75 AND \$10.80/BBL, HE SAID MOBIL, IN ORDER TO BE HELPFUL, MIGHT UNDERTAKE A FEW SHIPMENTS AT \$10.60/BBL. AT THIS POINT MINISTER INTERRUPTED CASANOVA AND SAID QTE WHY NOT \$10.40? QTE. CASANOVA THEN PROPOSED THAT THEY AGREE ON \$10.50/BBL, THE PRICE, HE SAID, THAT TURKEY HAD OBTAINED FROM IRAQ IN THEIR GOVERNMENT-TO-GOVERNMENT ARRANGEMENT. THE MEETING ENDED WITH THE MINISTER SAYING HE WOULD SEE DEMIREL SOON, AND HOPED TO HAVE SOME WORD FOR CASANOVA IN ABOUT TEN DAYS.

3. IN A RECENT CONVERSATION HALUK CILLOV, MINCOMMERCE IN IRMAK GOVT., TOLD DPO THAT PUBLIC ATTITUDE TOWARD FOREIGN OIL COMPANIES IS VERY NEGATIVE, AND NO MATTER WHICH PARTY IS RUNNING THE GOVT. THERE WILL BE DIFFICULTIES. HE SAID MOST TURKS FEEL MOBIL AND BP HAD NOT OPERATED SUFFICIENTLY IN TURKEY'S INTERESTS. THE BIG ISSUE IS EXPLORATION, IN WHICH AN EVEN GREATER EFFORT WOULD HAVE TO BE MADE. NEW MINISTER IS WELL DISPOSED TOWARD PRIVATE SECTOR AND FOREIGN COMPANIES, AND CONFIDENTIAL

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CHANGES HE HAD MADE TO REMOVE RADICAL ELEMENTS AMONG TOP-LEVEL BUREAUCRATS HAD BEEN NECESSARY. NONETHELESS KILIC WOULD HAVE PUBLIC AND POLITICAL IMAGE TO UPHOLD, AND IT WOULD BE NECESSARY IN CILLOV'S JUDGEMENT THAT FOR SHORT RANGE COMPANIES APPEAR TO ACCEDE TO GOVT. IN CURRENT PRICE DISPUTE. FOR LONG RANGE HE FELT COMPANIES MUST BE WILLING UNDERTAKE VERY SERIOUS EXPLORATION EFFORTS. IF THEY UNWILLING, THEY WOULD BE BETTER ADVISED TO WRITE TURKEY OFF RATHER THAN ENGAGE IN REPEATED

CONFRONTATIONS WITH SUCCESSIVE TURKISH GOVERNMENTS.

4. OVER PAST TEN DAYS SOME ELEMENTS OF PRESS (PRIMARILY LEFTIST CUMHURRIYET AND EXTREME-LEFT YENI ORTAM, BUT ALSO INCLUDING HURRIYET AND GUN AYDIN) HAVE BEEN BUILDING CAMPAIGN EXTOLLING VIRTUES OF FORMER "NATIONALIST" (I.E. ECEVIT-APPOINTED) MINISTERS AND BUREAUCRATS, ASSERTING THAT UNDER THEIR LEADERSHIP FOREIGN OIL COMPANIES HAD BEEN BROUGHT TO HEEL, AND PROFITS OF GOVT. REFINERY AND OIL COMPANIES HAD BEEN SUBSTANTIALLY INCREASED. COME COLUMNISTS HAVE BLUNTLY CHARGED THAT NEW LEADERSHIP IN MINISTRY IS DISPOSED TO HELPING THE FOREIGN OIL COMPANIES RATHER THAN UPHOLDING TURKEY'S NATIONAL INTERESTS. NO DOUBT RESPONDING TO THESE ALLEGATIONS, ENERGY MINISTER HAS ISSUED STATEMENT TO THE PRESS CHARGING ECEVIT ADMINISTRATION WITH NEGLECTING CRUDE OIL PRODUCTION AND EXPLORATION. NOT SURPRISINGLY HE SAID GOVT. WILL PURSUE "NATIONAL OIL POLICY".

COMMENT: FROM INFORMATION WE HAVE BEEN ABLE TO PIECE TOGETHER IT APPEARS TO US FAIRLY CERTAIN THAT OIL IMPORTS WILL BE RESUMED PRIOR TO MAY 6 CUT-OFF, WITH MOBIL AND BP AGREEING TO IMPORT CRUDE AT DECREASED PRICE FOR PERHAPS ONE TO TWO MONTHS IN THE HOPE THAT PUBLIC FOCUS ON FOREIGN OIL COMPANIES WILL HAVE SUBSIDED, AND THUS PERMIT GOVT. TO INCREASE PRICE AT A MINIMUM OF POLITICAL COST. HOWEVER, WE THINK IT IS QUITE POSSIBLE THAT ADVERSE PUBLICITY COULD CONTINUE FOR MANY MONTHS. IN ANY CASE THOSE WHO OPPOSE PRESENCE OF FOREIGN OIL COMPANIES IN TURKEY WILL NOT BE EASILY DISSUADED AND HAVE ENOUGH POLITICAL (RPP) AND JOURNALISTIC CLOUT TO STIR UP CAMPAIGN ANY TIME THEY WISH. THUS, WHILE THE IMMEDIATE OUTLOOK APPEARS REASONABLE GOOD, WE WOULD NOT BE SURPRISED TO SEE A RECURRENCE OF THE CONFRONTATION FOUR TO SIX MONTHS FROM NOW. THIS COULD OCCUR IF THE GOVT. IS UNWILLING TO TAKE THE POLITICAL HEAT OF A PRICE INCREASE -- A NOT UNLIKELY POSSIBILITY -- AND OR  
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MOBIL UNDETAKE SOME LIMITED EXPLORATION ACTIVITIES, BUT NOT ON THE SCALE DESIRED BY THE TURKISH GOVT. ANOTHER CIRCUMSTANCE THAT COULD BRING THIS ABOUT WOULD BE A CHANGE IN GOVERNMENT, PARTICULARLY IF THE GOVT. WERE DEPENDENT ON RPP SUPPORT. WILLIAMS

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